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SUBJECT: DUSTR BHATIA AND GOS OFFICIALS DISCUSS DOMESTIC
AND REGIONAL GROWTH

¶1. (SBU) Summary: Singapore's growth opportunities and regional development figured prominently in discussions between Deputy U.S. Trade Representative Karan Bhatia and GOS officials. Representatives from the Ministry of Trade and Industry (MTI) and the Economic Development Board (EDB) offered positive assessments for the future of Vietnam and Indonesia, while recognizing that 2007 economic growth in Southeast Asia might lag behind 2006. MTI Permanent Secretary Peter Ong expressed cautious optimism regarding the

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feasibility of an Asia-Pacific Free Trade Agreement (FTA-AP).
End Summary.

¶2. (SBU) Deputy U.S. Trade Representative (D/USTR) Karan Bhatia met separately with Ministry of Trade and Industry (MTI) Permanent Secretary Peter Ong and Economic Development Board (EDB) Chairman Lim Siong Guan during his December 4 visit to Singapore. While in Singapore, the D/USTR also met with the Straits Times (on background), the Singapore Business Times (for an interview), the American Chamber of Commerce, APL Shipping, and, over dinner, financial and academic community representatives. This message covers the D/USTR's meetings with GOS officials.

¶3. (SBU) MTI's Ong told the D/USTR that Singapore found Treasury Secretary Paulson's Strategic Economic Dialogue a laudable initiative and encouraged the USG to remain strongly engaged with China on multiple levels. Ong agreed with the D/USTR that Asian economies might slow in 2007 but thought regional growth would still be driven ahead by China, whose economic power and influence would continue to grow. Turning briefly to cross-straits issues, Ong opined that the mainland's bargaining position continued to strengthen due to growing Taiwan investments in China, China's greater willingness to take a long-term approach to the relationship, and the recent scandals involving Chen Shui Bien.

¶4. (SBU) Ong concurred with the D/USTR that an FTA-AP was a real possibility, though only in the longer-term. It would not be practical or even necessary for all twenty-one economies to sign at once, he continued. Rather, Ong envisioned a gradual process. One way to move the plan forward, Ong suggested, would be to form a high-level advisory group to recommend benchmarks at an upcoming Senior Officials Meeting. The D/USTR and Ong agreed that it would be important to maintain momentum once the idea was formally introduced.

¶5. (SBU) EDB Chairman Lim stated that Singapore was optimistic about Indonesia's economic prospects and was actively working with the GOI to promote foreign investment.

A GOI trade mission had recently visited the Vietnam-Singapore Industrial Park (VSIP) outside of Ho Chi Minh City. The group was surprised and disconcerted that the VSIP had surpassed in terms of development the Indonesia-Singapore Industrial Park on Batam Island, which opened before the VSIP. Lim expressed confidence in Vietnam's commitment to economic reform, calling it "impressive," and said that Burma was now the only country in Asia not embracing economic openness as a long-term growth strategy.

¶6. (SBU) Lim said Singapore had two pieces of advice for Indonesia to attract foreign companies, particularly those from the United States and Japan: first, Indonesia should decrease the rate of minimum wage growth; and second, it should establish a dialogue with labor unions in order to avoid strikes. Through such investor-friendly measures, Lim believed Indonesia could attract 135,000 jobs and USD1 billion in investment to a series of Special Economic Zones (SEZ) in Indonesia's Riau archipelago, just south of Singapore. The EDB hoped that investors would one day view Singapore and these SEZs as single entity, with Singapore acting as not only the base for managers and their families, but also as the port for transferring raw materials and finished products into and out of Indonesia.

¶7. (SBU) Asked about Singapore's growth prospects, Lim said the country could not afford to be "in the same competitive space" as its neighbors. Singapore was a highly developed economy that lost investments to Europe, not to other countries in the region, he continued. The EDB planned to bill Singapore as a "high trust economy" and to attract IP-intensive business and R&D investment through its emphasis on rule of law, transparency, and efficiency. Singapore was also still working on "cluster development" to attract certain high-end manufacturing segments, Lim said. The EDB

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hoped to develop a silicon wafer fabrication cluster similar to the existing pharmaceutical and petrochemical clusters.

¶8. (SBU) Singapore viewed education as another growth area, and hoped to become a "global schoolhouse," according to Lim. The EDB saw educating foreign students both as a means to generate income and as a way to augment the limited number of Singaporean-born PhDs. Most foreign students did not stay for more than three years after graduation, he said, as they viewed Singapore as a stepping stone to the United States. However, Singapore could take advantage of this talent as it flowed through.

¶9. (SBU) Lim discussed Singapore's efforts to cope with citizens left behind by its rapidly changing economy. He pointed to Prime Minister Lee Hsien Loong's recent announcement that the Workfare program, begun earlier this year, would be a permanent part of Singapore's social security system. Workfare, which provides supplemental funds to low income adults, was an acknowledgement that structural underemployment would be an issue for the foreseeable future, Lim said.

¶10. (U) D/USTR Bhatia cleared this message.
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